

MINUTE ITEM

30. TERMINATION OF EFFORTS TO COLLECT ROYALTIES DUE FROM PROSPECTING PERMIT P.R.C. 1884.2.

After consideration of Calendar Item 18 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED:

1. TO DISCONTINUE ANY FURTHER EXPENDITURE FOR THE ENFORCEMENT OF COLLECTION OF ROYALTIES DUE UNDER PROSPECTING PERMIT P.R.C. 1884.2;
2. TO DENY ANY FUTURE APPLICATIONS FOR PROSPECTING PERMITS OR MINERAL LEASES WHICH MAY BE FILED BY MR. C. A. GUSSMAN, UNTIL SUCH TIME AS MR. GUSSMAN SATISFIES ANY OBLIGATION STILL OUTSTANDING THAT MAY HAVE BEEN INCURRED UNDER P.R.C. 1884.2;
3. TO MAKE APPLICATION TO THE STATE BOARD OF CONTROL FOR DISCHARGE OF ACCOUNTABILITY UNDER THE PROVISIONS OF SECTIONS 13940, ET SEQ. OF THE GOVERNMENT CODE, FOR UNDETERMINED AMOUNTS OF ROYALTY THAT MAY HAVE BEEN DUE AND OWING THE STATE UNDER THE PROVISIONS OF PERMIT P.R.C. 1884.2, ISSUED TO C. A. GUSSMAN, THE GROUNDS FOR SUCH APPLICATION BEING THAT COLLECTION OF WHATEVER AMOUNT IS DUE AND OWING IS TOO SMALL TO JUSTIFY THE COST OF COLLECTION.

Attachment

Calendar Item 18 (2 pages)

CALENDAR ITEM

18.

TERMINATION OF EFFORTS TO COLLECT ROYALTIES DUE FROM PROSPECTING PERMIT P.R.C. 1884.2.

On October 11, 1956, Mr. C. A. Gussman of San Jose, California, applied for a prospecting permit to prospect for minerals upon a quarter section of State school land in Stanislaus County. Thereafter, pursuant to Commission action, Propsecting Permit P.R.C. 1884.2 was issued to Mr. Gussman on February 26, 1957, for a period of two years.

During the month of June 1957 shipments of chrome ore were made from the prospect area on State land, and specifically from what has now been identified as the Black Bart Mine. These shipments were purchased by the Defense Materials Service, General Services Administration, of the United States Government. Subsequent investigation indicates that the month of June 1957 appears to be the only time when chrome shipments were made from the mine located within the area of the prospecting permit. These shipments were comingled with materials extracted from the Black Ace Mine, located on other than State property, but operated by the State's permittee. It appears that the materials from both of the mines were mixed for the purpose of bringing the ore from the Black Bart Mine up to the minimum acceptable grade required by the purchasing agency of the Federal Government. The exact percentages of the total product shipped which are attributable to each of the respective mines is unknown, but it is the statement of former employees actually operating the mines that the materials from the mine on the State land were inferior and had to be enriched with materials from other sources in order to make the ore marketable.

Despite repeated requests, the permittee failed to file quarterly statements as to minerals extracted from the permit area. Recent investigation indicates that the total value of the minerals purchased by the Federal Government during June 1957 from the Black Bart and the Black Ace Mines was \$10,290.56.

Based on these sales, and assuming equal production from both mines, royalty was due the State as follows:

<u>Minerals Extracted and Sold</u>	<u>Estimated Pro-rata of Production from State Lands</u>	<u>Value</u>	<u>Royalty Rate</u>	<u>Estimated Royalty</u>
\$10,290.56	50%	\$5,145.28	20%	\$1,029.06

Subsequent to June 1957, the mining operations, identified at that time as the Del Puerto Mining Company, a fictitious name under which Mr. Gussman was operating, encountered increasing difficulties so that operations were finally concluded in the fall of 1957 and have not been resumed. The company was forced out of operations by a number of legal actions brought against it for wages due, costs of materials unpaid, and a foreclosure action instituted in June 1957 by one of Mr. Gussman's backers.

CALENDAR ITEM 18. (CONTD.)

At the present time Mr. C. A. Gussman is financially insolvent and apparently incapable of meeting his obligations, not only to the State but to all others who were concerned with this mining operation. Mr. Gussman's home at 1033 Thornton Way, San Jose, California, which has been homesteaded, has a variety of judgment liens against it, including a trust deed which is in the process of being foreclosed.

The office of the Attorney General agrees with the staff of this Division that legal efforts to collect what is due the State would not only be unproductive in view of Mr. Gussman's financial condition, but the cost of prosecuting the State's claim would equal or exceed the amount that might ultimately be recoverable.

Prospecting Permit 1884.2 was terminated on February 26, 1959 by reason of expiration of the term of the permit, with appropriate notices mailed to all parties concerned.

IT IS RECOMMENDED THAT THE STATE LANDS COMMISSION AUTHORIZE THE EXECUTIVE OFFICER: (1) TO DISCONTINUE ANY FURTHER EXPENDITURE FOR THE ENFORCEMENT OF COLLECTION OF ROYALTIES DUE UNDER PROSPECTING PERMIT P.R.C. 1884.2; (2) TO DENY ANY FUTURE APPLICATIONS FOR PROSPECTING PERMITS OR MINERAL LEASES WHICH MAY BE FILED BY MR. C. A. GUSSMAN, UNTIL SUCH TIME AS MR. GUSSMAN SATISFIES ANY OBLIGATION STILL OUTSTANDING THAT MAY HAVE BEEN INCURRED UNDER P.R.C. 1884.2; (3) TO MAKE APPLICATION TO THE STATE BOARD OF CONTROL FOR DISCHARGE OF ACCOUNTABILITY UNDER THE PROVISIONS OF SECTIONS 13940, ET SEQ. OF THE GOVERNMENT CODE, FOR UNDETERMINED AMOUNTS OF ROYALTY THAT MAY HAVE BEEN DUE AND OWING THE STATE UNDER THE PROVISIONS OF PERMIT P.R.C. 1884.2, ISSUED TO C. A. GUSSMAN, THE GROUNDS FOR SUCH APPLICATION BEING THAT COLLECTION OF WHATEVER AMOUNT IS DUE AND OWING IS TOO SMALL TO JUSTIFY THE COST OF COLLECTION.